IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

DATATREASURY CORP., Plaintiff, vs. MAGTEK, INC., a/k/a MAG-TEK, INC., and SMALL VALUE PAYMENTS COMPANY, Defendants,	)))))))))	JURY TRIAL DEMAND CV No.: 2:03cv459 CV No.:2:04cv85

PLAINTIFF DATATREASURY CORPORATION'S REPLY BRIEF ON CLAIMS CONSTRUCTION REGARDING CONSOLIDATED DEFENDANTS MAGTEK, INC. AND SMALL VALUE PAYMENTS COMPANY

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ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT, p. 118, BNA Books, (7th ed. 2006 Supp.) 8

I. INTRODUCTION

Claim construction is for the Court to identify the scope of the claims. Once the Court has identified the scope of the claims, it is the jury that determines whether the claims as construed by the Court are infringed. Defendant SVPCo's approach to claim construction is not to seek the actual scope of the claims as understood by a person of ordinary skill in the art, but rather seek the narrowest possible meaning by reading in all possible embodiments (even suggestions—explained *infra*) from the specification. By doing this, Defendant SVPCo has taken this Court's well-reasoned Markman Order and converted it into complexity and confusion. For example, with the term "processing," Defendant SVPCo took an already twenty word construction and added layer upon layer until the construction by Defendant SVPCo encompasses over eighty words – clearly a construction driven by a focus to avoid infringement rather than obtain the proper meaning.[1]

Defendant SVPCo's claim construction position provides zero support from the legally imposed perspective of a person skilled in the art. Instead, Defendant SVPCo's construction is inspired by its non-infringement positions. Just recently, Judge Ward disposed of a similar tactic by *ConocoPhillips, Inc.* attempting (like here) to read language from the preamble into the claim terms in dispute. ("This argument is inspired by a non-infringement position . . ." (*Maxma, et al v. Conocophillips Inc.*, 2005 U.S. Dist. Lexis 34020 (E.D. TX 2005).

Unfortunately for Defendants, there is no law supporting claim construction based on non-infringement. DataTreasury too would like this Court to revisit certain terms previously construed, however, DataTreasury (like Defendant SVPCo) lacks the legal authority and factual support for any modification of the Court's prior construction.

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[1] The Irish rock band U2 best summarized Defendant SVPCo's claim construction with the opening lyrics to their song "City of Blinding Lights" … "**the more you see the less you know.**"

II. TERM BY TERM ANALYSIS IDENTIFYING ERRORS IN DEFENDANT SVPCO'S ATTEMPT TO REVISE THIS COURT'S MARKMAN ORDER

For the Court's convenience, DataTreasury will respond to each construction position offered by Defendant SVPCo as they are presented in Defendant's brief. Initially, DataTreasury takes offense to Defendant's representations to this Court that DataTreasury refused to offer counter-claim construction positions. For the record, DataTreasury did offer claim construction positions that were counter to SVPCo's--DataTreausury set forth the terms as previously construed by this Court in prior litigation.

Although DataTreasury would like the Court to reconstrue certain claim terms, no grounds (either legal or factual) support a legitimate argument to do so. Defendant SVPCo on the other hand, attempts to circumvent the Court's prior construction to avoid infringing the DataTreasury patents (all constructions offered by Defendant SVPCo ask the Court to more narrowly construe numerous terms the Court has already addressed by reading into the construction all preferred embodiments).

Additionally, Defendant SVPCo asks this Court to ignore well-established patent canons by asking this Court to interpret the preambles of claims 1, 26 and 46 of the '988 patent and claims 1, 26, 42, and 43 of the '137 patents along with functional limitations in the system claim 1 of the '988 and '137 patents. DataTreasury (as shown below) clearly demonstrates why the Court's Markman Order is proper and no modifications are necessary except for providing a construction to the term image.

A. Claim 1 of the '988 Patent

1. The Preamble of Claim 1 is not a Limitation.

It is a well-settled principle in patent law that the preamble in a claim does not generally limit the claim. *See, e.g., DeGeorge v. Bernier,* 768 F.2d 1318 (Fed. Cir. 1985); *see also,* ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT, p. 118, BNA Books, (7th ed. 2006 Supp.) (emphasis added). Recently, in *Catalina v. Coolsavings.com*, the Federal Circuit summarized its analysis regarding the construction of preamble statements. *Catalina Mktg. Int'l Inc. v. Coolsavings.com Inc.*, 289 F.3d 801 (Fed. Cir. 2002). A preamble may limit an invention only "if it recites essential structure or steps or if the preamble is necessary to give life, meaning or vitality to the claim. Conversely, a preamble is not limiting where a patentee defines a structurally complete invention in the claim body and uses the preamble only to state a purpose or intended use for the invention." *Catalina,* 289 F.3d at 808. In *Catalina,* the Federal Circuit noted that "preambles describing the use of an invention generally do not limit the claims because the patentability of apparatus or composition claims depends on the claimed structure, not on the use or purpose of that structure." *Catalina,* 289 F.3d at 809. In addition, "[s]tatements of intended use or asserted benefits in the preamble may, *in rare instances,* limit product claims, but *only if* the applicant clearly and unmistakably relied on those uses or benefits to distinguish prior art." *Catalina,* 289 F.3d at 809 (emphasis added).

The preamble to claim 1 of the '988 patent states: "A system for central management, storage and report generation of remotely captured paper transactions from documents and receipts." The plain language of this preamble refers to the intended use or purpose of the system described in the '988 patent and nothing more. As noted above, in accordance with the Federal Circuit's teachings in *Catalina,* such a preamble does not limit the claim.

Even in situations where the preamble recites much more structure, the Federal Circuit has refused to find the preamble to be limiting. For instance, in *C.R. Bard v. M3 Systems,* the preamble to the claim at issue stated:

> "A biopsy needle for use with a tissue sampling device having a housing with a forward end, a first slide mounted for longitudinal motion within said housing, and a second slide mounted for longitudinal motion within said housing."

C.R. Bard, Inc. v. M3 Systems, Inc., 157 F.3d 1340, 1348-49 (Fed. Cir. 1998). The Federal Circuit reasoned that "[t]he preamble of this claim is an example of a statement of intended use of the claimed invention: the plain language states that the biopsy needle is 'for use with' the structure described by the remainder of the preamble." *Eaton Corp. v. Rockwell Intern. Corp.,* 323 F.3d 1332, 1341 (Fed. Cir. 2003) (analyzing the preamble of the *C.R. Bard* case). Needless to say, the preamble of claim 1 of the '988 patent is even more succinct in reciting the intended use of the system described in the '988 patent, and therefore, the preamble cannot be found to be limiting under the Federal Circuit's analysis.

Similarly, in *Vaupel,* the preamble in a method claim was directed to a method for "forming a plurality of patterned strips of fabric woven from threads of synthetic material using a broad weaving machine having a sley and a breast beam." *Vaupel Textilmaschinen KG v. Meccanica Euro Italia, S.P.A.,* 944 F.2d 870, 880 (Fed. Cir. 1991). Once again, the Federal Circuit concluded that the preamble was not limiting. The Federal Circuit in *Vaupel* agreed with the district court's analysis that the terms in this preamble were not structural limitations and simply indicated the direction of the woven fabric from the loom. Therefore, the preamble was not limiting. *Vaupel,* 944 F.2d at 880. As with *Vaupel,* the preamble to claim 1 of the '988 patent does not recite any structural limitations, and hence, this preamble should not be found to be limiting as well.

Without discussing the Federal Circuit's general rule that the preamble cannot be found to be limiting if it recites an intended use or purpose, Defendant SVPCo proceeds straightaway to one of the exceptions to this general rule by urging that the preamble in claim 1 of the '988 patent gives "life meaning and vitality" to this claim "because it is essential to define the computer invention otherwise recited in Claim 1." Such a broad construction to this narrow exception would mean that the preamble in virtually every circumstance would be found to be limiting, thereby permitting the exception to swallow the general rule. That was never the Federal Circuit's intent as demonstrated by the facts and analyses of the *C.R. Bard* and *Vaupel* cases noted above.

The two Federal Circuit cases cited by Defendant SVPCo, *In re Paulsen* and *Eaton Corp.* are also thoroughly unavailing. The preamble in *In re Paulsen* was necessary for the claim to be even possibly patentable over the prior art. *In re Paulsen,* 30 F.3d 1475, 1479 (Fed. Cir.1994). The patentee in *In re Paulsen* fully conceded that a prior art reference (the Yokoyama reference) described all the limitations in the body of the claims at issue, and the patentee was relying on the preamble to urge that the claim was patentable over the Yokoyama prior art reference. *Paulsen,* 30 F.3d at 1479. It is in the context of these factual circumstances in *Paulsen* that the Federal Circuit held that the preamble breathed life and meaning into the claims at issue. *Paulsen,* 30 F.3d at 1479. As for claim 1 of the '988 patent, the patentability of this claim does not rest on its preamble, and Defendant SVPCo does not and cannot present evidence to that effect. In other words, claim 1 of the '988 patent does not need the preamble to have life and meaning breathed into it. The preamble to claim 1 of the '988 patent cannot be limiting in these circumstances.

Defendant SVPCo's reliance on *Eaton Corp.* is also entirely unpersuasive. For the record, the preamble in the claim at issue in *Eaton Corp. v. Rockwell Intern. Corp.*, was longer than an entire column of text in the printed page of the opinion—47 lines in more than one column of text to be precise! *Eaton Corp. v. Rockwell Intern. Corp.*, 323 F.3d 1332, 1335-36 (Fed. Cir. 2003). By comparison, the actual body of the entire claim at issue was a mere 16 lines in a column of text. *Eaton Corp.*, 323 F.3d at 1336. Not surprisingly, the Federal Circuit concluded that the inventor in *Eaton Corp.* "chose to use both the preamble and the body of the claim to define his invention." *Eaton Corp.*, 323 F.3d at 1342. In the course of its analyses, the Federal Circuit explicitly concluded that the preamble in *Eaton Corp.* was completely distinguishable in its form over the preambles in *C.R. Bard* and *Vaupel*. *Eaton Corp.*, 323 F.3d at 1342. It is virtually redundant to state that the preamble in claim 1 of the '988 patent has nothing in common with *Eaton Corp.* and is indeed in line with *C.R. Bard* and *Vaupel*.

2. Subsystem Identification Information Has Been Construed by This Court and Need Not be Further Limited to Support Defendant SVPCo's Non-infringement Positions.

The Court has already construed the term subsystem identification information to be "the information that identifies the remote data access subsystem or a subsystem that is a part of the remote data access subsystem." Defendant Magtek agreed with this construction by the Court as evidenced in the Joint Claims Construction Report and

Prehearing Statement (attached at Exh. A).[2] Additionally, Defendant SVPCo agrees with this construction. SVPCo's Responsive Brief at p. 13. However, for reasons premised on avoiding infringement, SVPCo effectively imposes an Advisory Opinion on this Court. The Court has construed this term properly in view of the surrounding claim language and specification (noting "several identifiers" in the patent specifications).

Defendant SVPCo's arguments of what subsystem identification can not be are technically wrong in view of the intrinsic evidence of the '988 and '137 patents.[3] Encryption of the subsystem identification information occurs collectively over the packet of information captured/obtained at the remote data access subsystem, which at least includes the paper transaction data and subsystem identification information. Moreover, Defendants conveniently ignore the fact the specifications of the '988 and '137 patents discuss the encryption process as to what a person skilled in the art would understand. '988 patent, Col. 6, l. 9-12 and Col. 8, l. 10-20. Ironically, Defendants do not challenge this point made by DataTreasury in prior proceedings before this Court (like they have in many instances before this Court). As noted in these earlier Court proceedings, a person skilled in the art would understand the entire content transmitted from the remote data processing subsystem is encrypted. See Professor Hiles Decl., Exh. B, p. 10. Thus, Defendant SVPCo's arguments to this effect are null and void (nothing but a red herring). The Court has already provided a well-reasoned construction for this term through support of the associated specification—nothing further is required.

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[2] As is evidenced in this document filed before the Court, Defendant Magtek agrees with all aspects of this Court's Markman Order. In Magtek Inc.'s Memorandum of Points and Authorities Regarding Claim Construction, Magtek appears to have reversed its position and now does not agree with the Court but rather with its co-infringer Defendant SVPCo.

[3] Even in view of the Federal Circuit's *en banc* opinion regarding claim construction (*Phillips,v. AWH Corp.*, 415 F 3d 1303(Fed. Cir. 2005)), the defendants do not provide any position whatsoever of what a person skilled in the arts understanding is of this term or any other term to mean in view of the intrinsic evidence.

Defendant SVPCo's rhetorical question of "what is 'information' that identifies the remote data access subsystem" has been previously answered by this Court. Either it was unaware that the Court has construed the term subsystem, or it chose to ignore this construction. Either way, this is an infringement question for the jury. *Markman v. WestView*, 52 F. 3d 967 (Fed. Cir. 1995).

3. Under Well-Established Principles of Patent Law, the Functional Limitations of Capturing… Paper Transaction Data; Capturing … Subsystem Identification Information; and Capturing Documents and Receipts of Claim 1 Are Not Limitations and Need Not be Construed.

Each of these limitations appear in claim 1 of the '988 patent as functional language. The first two capturing limitations describe the function of the remote data access subsystem, and the last capturing limitation describes the function of the imaging subsystem. As we demonstrate below, none of these claim limitations need to be construed by the Court because they do not affect either the infringement or the validity of the claim 1 of the '988 patent.

It is axiomatic in patent law that "apparatus claims cover what a device is, not what a device does" and to "infringe an apparatus claim, the device must meet all of the structural limitations." *Cross Medical Products v. Medtronic Sofamor Danek,* 424 F.3d 1293, 1311-12 (Fed. Cir. 2005) (citations omitted). It is also well settled that that "patentability of apparatus claims must depend upon structural limitations and not upon statements of function." *Application of Hyman A. Michlin,* 256 F.2d 317, 320 (1958). These basic principles have been consistently enunciated by the Federal Circuit's predecessor court, the CCPA, and by the Federal Circuit for over 70 years. *See Application of Lewis A. Way et al.,* 514 F.2d 1057, 1060 (Fed. Cir. 1975) (noting that "[i]t is well settled that patentability of method claims cannot be predicated on apparatus limitations."); *Application of Dalzell et al.*, 166 F.2d 834, 839-40 (1948) (noting that a functional limitation in an apparatus claim does not distinguish over the prior art); *Application of Dryer*, 162 F.2d 505, 509 (1947) (holding that a functional attribute of an apparatus is not a proper process limitation); *In re Storsand*, 159 F.2d 446, 449 (1947) (noting that functional limitations in apparatus claims cannot be regarded as structural limitations or elements); *Application of Drissner et al.*, 156 F.2d 164, 168 (1946) (noting that apparatus claims must distinguish over the prior art in terms of structure and they cannot be held to be patentable on the basis of functional limitations). Hence, it is not necessary for this Court to construe any of these claim limitations for the purposes of validity or infringement of claim 1 of the '988 patent.

4. For the same Reasons, Documents and Receipts in Claim 1 Need Not be Construed; But if it Were it Would Include Checks

DataTreasury disagrees with Defendant SVPCo's position that" both documents and receipts **must** be captured by the system." Defendant SVPCo's brief, p. 19. Claim 1 refers to the architecture of a system. It is not a method or process claim like claim 26; therefore, as noted *supra*, the functional limitation of capturing a document and receipt is unnecessary for purposes of construction.[4]

Even though documents and receipts are not proper here for purposes of construction, DataTreasury would like the public to once and for all know that a person skilled in the art reading the intrinsic evidence regarding the '988 patent would readily understand the system was intended to cover all document and receipt types, which would readily include a check. (See also DataTreasury's position on the term check at Section II E(2), p. 25). The specification of the '988 patent discusses banking

[4] If Defendant SVPCo would have raised this issue in the context of claim 26 this preclusion would not apply.

transactions (Col. 1, l. 19) and consumer purchases (Col. 1, line 21). Two types of transactions involving checks as a predominant type of document and receipt.

Moreover, Dr. Donald Mullineaux, a banking industry expert expresses in his declaration that upon his reading of the relevant claims and the specification of the '988 patent, he would readily recognize a check to be a type of document and receipt. See Mullineaux Decl., Exh. C. Additionally, Professor Hiles, as a person skilled in the art, further supports the fact that the inventions claimed in the '988 patent cover checks as a type of document and receipt. See Hiles Decl., Exh. B, p.14.

5. "Central" of "Central data processing" in Claim 1 of '988 and '137 Patent Has Been Construed By the Court; A Construction Recognized by the Person Skilled in the Art.

Defendant SVPCo has taken the very simple term central, which has been properly construed by this Court and added unnecessary layer upon layer of language to the point it is no longer understood. Defendant SVPCo further tries to confuse the issue by comparing the three-tiered invention in claims 42 and 46 with the two-tiered invention of claims 1 and 26 in the '988 patent. Fortunately, a person skilled in the art of the invention having reviewed the intrinsic evidence shines light on these wayward arguments. See Hiles Decl., Exh. B, p.5-8. Professor John Hiles of the United States Naval Post Graduate School illustrates SVPCo's lack of understanding of a communication network. Figure 1 of the '988 and '137 patents merely identifies the operational elements of the invention; there is no discussion of the network connection. It is Figures 2, 4, and 6 of these patents that represent the communication network through the carrier cloud, which connects the operational elements with the rest of the claimed system. Defendant SVPCo does not understand what a communication network means in the context of the patents (or they ignore this Court's prior construction of communication network—the purpose being to interconnect each of the subsystems in claim 1). Additionally, the claims represent one or more central data processing subsystems, which contradicts Defendant SVPCo's position that it is the "center subsystem."

Thus, without legal authority or additional evidence before this Court, the Court's construction remains. The Court's construction is not only accurate under patent law, but readily understandable by the person skilled in the art. See Hiles Decl., Exh. B, p. 5-10.

6. The Term Processing "In context of a 'central data processing subsystem: processing… the paper transaction data and the subsystem identification information is a Robust Attempt by Defendant SVPCo to Avoid Infringement through Claim Construction.[5]

Defendant SVPCo actually provides a legal citation (*Phillips*) to compel this Court to modify its construction of the term processing ("the performance of operations upon data and information, in contrast to the processing overhead of the operating system and networks.") However, Defendant SVPCo fails to apply the necessary factual support to its own legal citation. *Phillips* clearly requires any claim construction to be from the perspective of the person skilled in the art. Defendants SVPCo lack any support on what the person skilled in the art would understand this term to mean in view of the intrinsic evidence. Rather, their approach avoids the person skilled in the art, and goes directly to reading all associated language from the specification (like past Defendant JP Morgan Chase).

Defendants SVPCo proposed construction remains consistent with their non-infringement approach to claim construction. They identify four specific activities

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[5] Defendant SVPCo further ignore the claim language that the central data processing subsystem includes a management subsystem for processing.

(through a narrow reading of the specification) that can only consist of the acts of processing: decrypting, extracting, performing meaningful analysis, and generating informative reports. Defendant SVPCo argues this ridiculous position even though (1) no such activities are expressed in claim 1, (2) the activities are discussed in preferred embodiments in the specification and (3) their construction is contradictory to what a person skilled in the art would understand the term to mean. See Professor Hiles Declaration at Exh. B, p.9-12.

Additionally, the activities of extracting (Claim 46 of '988 Patent) and generating informative reports (dependent claim 9 of the '988 and '137 Patents) are elements of other claims of the '988 and '137 patents. The doctrine of claim differentiation creates a strong presumption that such elements are not read into the construction of the term processing in claim 1 of the '988 and '137 patents. See *Comark Communications, Inc. v Harris Corp.,* 156 F.3d 1182, 1187 (Fed Cir. 1998) ("While we recognize that the doctrine of claim differentiation is not a hard and fast rule of construction, it does create a presumption that each claim in a patent has a different scope").

For at least these reasons, Defendant SVPCo's proffered construction is without merit. The Court has construed this term already and its construction is proper.

7. The Term In the context of a "central data processing subsystem:" "sending … the paper transaction data and the subsystem identification information" is another Attempt by Defendant SVPCo to Avoid Infringement through Claim Construction.

The Court has properly construed sending in the context of the system claim in claim 1 and the method claimed in claim 26 to mean "sending electronically." However, once again, Defendant SVPCo asks this Court to redo its proper claim construction in hopes of obtaining a non-infringement positions. Defendant SVPCo's analysis is flawed on several grounds. First, the best argument SVPCo can muster is founded on what it perceives the '988 patent specification "suggests." According to *Phillips*, however, claim construction is not based on suggestions, rather it is based on what a person skilled in the art would understand the term "sending" to mean in the context of the claim itself and other intrinsic evidence.

Second, Defendant SVPCo's narrow construction ignores the surrounding claim language. For example, claim 1 refers to "at least one central data processing subsystem." Thus, the claim can have one or more central data processing subsystems in which the transaction data can be sent. Moreover, a person skilled in the art reviewing the term in the context of the surrounding claim language and other intrinsic evidence supports the Court's construction not Defendant SVPCo's. See Hiles Declaration, Exh. B, p. 9-11. Defendant SVPCo's position warrants no further analysis.

8. The Term In the context of a "central data processing subsystem:" "verifying…the paper transaction data and the subsystem identification information" is yet Another Attempt by Defendant SVPCo to Avoid Infringement through Claim Construction.

Here too, Defendant SVPCo applies its non-infringement claim construction methodology, and asks the Court to reconsider its construction of the term verifying. The Court has already properly construed the term verifying as "checking or testing the accuracy, exactness or authenticity of." Without any authority or relevant evidence, Defendant SVPCo asks this Court to add the additional limiting language of "comparison with known data or a recognized standard" along with other limitations added in Defendant SVPCo's non-infringement construction for the term processing.[6] Defendants

[6]Defendants cite to areas of the specification regarding biometrics including signature capture devices and data. These elements are not in claim 1 of the '988 or '137 patents. It is not until the dependent claims are these aspects discussed in the claim.

cite to aspects of the specification irrelevant to verifying in claim 1. Professor John Hiles, a person skilled in the art provides guidance as to how and why a person skilled in the art having read the intrinsic evidence would agree with the Court's construction of "verifying." See Hiles Decl, Exh. B, p. 9-11.

Moreover, Defendant SVPCo's reference to the *Cross Medical Products* case is inapposite as to "verifying… paper transaction data and the subsystem identification information and computers operating with the communication network. Claim 1 goes to an integrated system of subsystems (defined as having computer components). It doe not matter which computer performs the task of verifying, only that the task is performed. Defendant SVPCo's construction is yet another ill-fated and attempt to avoid infringement of the DataTreasury patents through the Markman process.

9. The Term In the context of a "central data processing subsystem:" "storing…the paper transaction data and the subsystem identification information" is Another Attempt by Defendant SVPCo to Avoid Infringement through Claim Construction.

Again, Defendant SVPCo ignores proper claim construction interpretation and employs its non-infringement approach by reading in any aspect of the specification remotely related to the term "storing." Storing merely holds the transaction data without any temporal limitation. Instead of focusing on what an artisan skilled in the art would understand the term to mean, Defendant SVPCo turns to dictionaries, which is counter to the Federal Circuit's instruction on the *Phillips* case. Moreover, Defendant SVPCo's argument citing the *Cross Medical Products* case is superfluous.

Consistent with all aspects of its construction, Defendant SVPCo ignores the Federal Circuit's mandate that claim construction is from the perspective of the person skill in the art having reviewed the intrinsic evidence, not a non-infringement position.

Professor Hiles, a person skilled in the art, identifies the narrow construction offered by Defendant SVPCo, and supports a construction of "storing" in this context to mean "placing data in a memory device where it would remain for later retrieval ." See Hiles Decl. B, pp. 12-13 and p. 16.

B. Claim 26

1. The Preamble of Claim 26 Is Not a Limitation For The Same Reasons the Preamble in Claim 1 is Not a Limitation.

The preamble to claim 26 of the '988 patent states: "A method for central management, storage and verification of remotely captured paper transactions from documents and receipts." This preamble is very similar to the preamble of claim 1 of the '988 patent. For the same reasons noted above, with specific emphasis on the method claim in *Vaupel,* the preamble to claim 26 of the '988 patent cannot be found to be limiting either. Defendant SVPCo's breathing life and vitality argument and their inappropriate reliance on *In re Paulsen* are both unpersuasive for all the reasons discussed above.

2. The Term Image (and Only Image) Should be Construed to Mean "An Electronic Representation of an Object, Such as a Document or Receipt."

Plaintiff DataTreasury has reflected on its initial proposed construction of the term "image" and modified (hopefully simplifying) the construction in a way that it no longer included superfluous language related to the term imaging subsystem, which is not at issue before the Court. Professor Hiles, a person skilled in the art agrees with this modification. See Hiles Decl. B, pp. 3-5.

3. The Term "central location" has been Construed by the Court; Further Narrowing of the Term by Defendant SVPCo is Not Warranted.

The Court has already construed the term central location to mean "a location that is different from the remote locations where the function of capturing an image of the paper transaction data is performed." Exh. D, p. 57. Moreover, the Court has held that claim 26 is a method claim and does not include any structural limitations. Exh. D, p. 58.

Once again, Defendant SVPCo challenges this Court's ruling and requests the Court to construe a central location to be the same as a central data processing subsystem. Defendant SVPCo's non-infringement construction adds complexity and confusion to this simple term. See Hiles Decl. B, pp. 13-14. The Court has properly construed this term and (once again) Defendant SVPCo has failed to provide any legal or factual evidence not already before this Court.

This analysis further applies to Defendant SVPCo's proposed construction for "collecting . . . transaction data at a central location;" "processing . . . transaction data at a central location;" and "storing . . . transaction data at a central location." See Hiles Decl., Exh B, pp15-16.

C. Claim 42 of the '988 Patent

1. The Preamble of Claim 42 is a Limitation.

The preamble to claim 42 of the '988 patent states: "A communication network for the transmission of data within and between one or more remote data processing subsystems, at least one intermediate data collecting subsystem and at least one central subsystem forming a tiered architecture wherein each of said at least one central data processing subsystem communicates with a corresponding some of said at least one data collecting subsystem and each of said at least one data collecting subsystem communicates with a corresponding some of said one or more data processing subsystems, said data processing subsystem including an imaging subsystem for capturing images of documents and receipts."

DataTreasury agrees the preamble of claim 42 is limiting, but does not agree with the construction of these limitations. For example, capturing images of documents and receipts is incorrect because of how Defendant SVPCo construes the term images. See DataTreasury's construction of the term image at Section II B(2), p. 20 and the corresponding portions of Professor Hiles Decl., at Exh. B.

2. Transmitted data in Claim 42 Need Not Be Paper Transaction Data.

The Court has already provided a clear construction on the distinction of paper transaction data, transaction data, and data. See Markman Order at p.25-26. Defendant SVPCo attempts to muddy this analysis by imposing the argument that it is only paper transaction data that is transmitted in claim 42 (thus requiring the transmission of an image as paper transaction data is construed by the Court). This argument is unfounded and not supported by law and fact. DataTreasury agrees that the preamble of claim 42 is a limitation, however, the mere fact the structural component of a remote data access subsystem exists does not mean that an image (or paper transaction data) is transmitted within and between the various subsystems. Defendant SVPCo provides no reliable support contrary to this determination.

The Court has properly identified when the data transmitted includes an image (making it paper transaction data). A person skilled in the art would agree with the

Court's conclusion and conclude that although an image may be captured in Claim 42, it need not be transmitted throughout the process.

D. Claim 46 of the '988 Patent

1. The Preamble of Claim 46 Is Not a Limitation For The Same Reasons the Preamble in Claim 1 is Not a Limitation.

The preamble to claim 46 of the '988 patent states: "A method for transmitting data within and between one or more remote subsystems, at least one intermediate subsystem and at least one central subsystem in a tiered manner wherein each of the central subsystems communicate with at least one intermediate subsystem and each of the intermediate subsystems communicate with at least one remote subsystems." For all the reasons noted above in the context of the discussion of the preamble of claim 1 of the '988 patent, the preamble to claim 46 of the '988 patent should not be found to be limiting either.

2. The Phrase "Capturing an Image of Documents and Receipts" Is Premised on the Construction of the Term Image Because It Is the Object Being Captured.

The term capturing is readily understood by the person skilled in the relevant art. Any further dissection of this term removes it from its ordinary meaning. Thus, the thrust of this construction remains on the object being captured, an image. Plaintiff refers the Court to its construction of the term image at Section II B(2), p.20 and the corresponding portions of Professor Hiles Decl. at Exh. B.

3. The Locations in Claim 46 Do Not Require Structural Components and Are Therefore Not Subsystems.

For the reasons articulated in Section II B(3) (in the context of location language in Claim 26), the remote location, intermediate location and central location are not the same as remote data access subsystems, intermediate subsystems and central subsystems.

4. Transmitted data in Claim 46 Need Not Be Paper Transaction Data.

The Court has already provided a clear construction on the distinction of paper transaction data, transaction data, and data. See Exh. D at p. 25-27. Defendant SVPCo attempts to muddy this analysis by imposing the argument that because an image is captured in this claim the data being sent must include an image (thus making it paper transaction data as defined by the Court). This argument is unfounded and not supported by law and fact. The Court has properly identified when the data transmitted includes an image (making it paper transaction data). A person skilled in the art would agree with the Court's conclusion and conclude that although an image is captured in Claim 46, it need not be transmitted throughout the process.

5. The steps in Claim 46 Need Not be Performed in the Sequence in Which They are Presented.

The steps in a process claim are not ordinarily construed to require a specific order unless the steps in a method claim actually recite an order. *Interactive Gift Exp. Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1342 (Fed. Cir. 2001) (citations omitted). Such an order may ensue when the steps in a method claim implicitly require that they be performed in the order written. *Interactive Gift Exp.*, 256 F.3d at 1342.

The Federal Circuit subsequently specified that *Interactive Gift* requires a two-part test for determining if the steps in a method claim that do not otherwise recite an order must nonetheless be performed in the order in which they are written. First, the court looks to the claim language to determine if, as a matter of logic or grammar, they must preformed in the order written. If not, the court looks next to the rest of the specification to determine whether it directly or implicitly requires such a narrow construction. *Altiris Inc. v. Symantec Corp.,* 318 F.3d 1363, 1369-70 (Fed. Cir. 2003).

The Court recognized this body of patent law and noted "[t]he steps in a method claim need not be performed in the order of their recitation in the claim, absent some indication dictating a specific order. Markman Order, p. 47.

Without any contrary legal support or factual support, Defendant SVPCo once again thrusts its non-infringement claim construction position forward. However, the law and understanding of a person skilled in the art (See Professor Hiles Decl., B, p. 17) supports this Court's previous ruling – no sequent of order to the steps in claim 46.

E. '137 Patent

1. The Preamble to Claim 1 Is Not a Limitation.

The preamble to claim 1 of the '137 patent is virtually identical to the preamble of claim 1 of the '988 patent. The preamble to claim 1 of the '137 patent states: "A system for central management, storage and report generation of remotely captured paper transactions from checks." The analysis of this preamble is the same as the analysis of the preamble in claim 1 of the '988 patent, and this preamble should not be found to be limiting either.

2. A check Is an Example of a Document Type Discussed *Supra.*

DataTreasury refers the Court to its prior analysis supporting the reason that a check is a type of document under the '988 patent, which is verified by the declarations of Professors Don Mullineaux and John Hiles. See their respective declarations at Exh C, ¶ 8 and Exh. B, p. 14. It is clear that a person of ordinary skill in the art would after reading the specification of the '988 patent understand that a check is a type of document (paper transaction data) that can be captured by the various claimed inventions.

Defendant SVPCo kindly points out the "'137 patent [application] was filed as a continuation-in-part." Defendant SVPCo's Brief, p. 52. It is accurate that the disclosure of the '137 patent includes improvements on utilizing the invention for check processing. However, no where in the intrinsic evidence would a person skilled in the art recognize that the inventions claimed and disclosed in the '988 patent could not capture a check (which is clearly a type of document). Defendant SVPCo fails to mention, however, that in the intrinsic evidence (the file history of the '137 patent) a terminal disclaimer was required to be effectuated before the '137 patent would issue. See Exh. E, an excerpt of the '137 file history. This terminal disclaimer in effect recognizes that the similar claims between the '988 and '137 patents were not patently distinct because it was understood by both the examiner and Mr. Ballard that a check was a type of document according to the specification of the '988 patent.

3. Paper Transaction Data Has Been Construed by the Court, and Defendant SVPCo Has Not Offered Any Construction for the Language Following This Term.

For the same reason the parties do not dispute the meaning of the information following "paper transaction data" (e.g. payer bank's routing number) no further construction is required. Defendant SVPCo offers no construction for this language, and the term paper transaction data has been previously construed by the Court. The root of this analysis is on the construction of the term image, which is provided for the Court at Section II B(2), p. 20 of Plaintiff's Reply Brief.

4. Under Well-Established Principles of Patent Law, the Functional Limitations of Capturing… Paper Transaction Data (Check); and Capturing … Subsystem Identification Information of Claim 1 Are Not Limitations and Need Not be Construed.

For the reasons articulated in Section II(A)(3) at pp.13-14, this Court should not provide construction for these terms.

F. Claim 26 of the '137 Patent

1. The Preamble of Claim 26 Is Not a Limitation.

The preamble to claim 26 of the '137 patent is virtually identical to the preamble of claim 26 of the '988 patent. The preamble to claim 26 of the '137 patent states: "A method for central management, storage and verification of remotely captured paper transactions from checks." The analysis of this preamble is the same as the analysis of claim 26 of the '988 patent, and this preamble should not be found to be limiting either.

2. The Court has Construed the Phrase "Said Transaction Data Including..." To Mean Paper Transaction Data.

On page 56 of its Markman Order, the Court identified that the transaction data in this claim refers to paper transaction data (defined at p. 25-26 of the Markman Order). Because the parties do not dispute (Defendant SVPCo offers no construction) the meaning of the information following "transaction data" (e.g. payer bank's routing number) no further construction is required and Defendant SVPCo has offered no construction.

G. Claim 42 of the '137 Patent

1. The Preamble of Claim 42 Is Not a Limitation.

The preamble to claim 42 of the '137 patent is identical to the preamble of claim 1 of the '137 patent and should be analyzed as noted above.

2. Defendant SVPCo's Construction of "One or More Remote Data Access Subsystems for ... Verifying Transaction Data from the Checks" Contradicts this Court's Markman Order and Is Overly Limiting.

The Court has properly construed the term verifying to mean "'checking or testing the accuracy, exactness or authenticity of' the transaction data from the check [which is a type of document that can be paper transaction data as discussed *supra*]." On page 32 of the Court's Markman Order, the Court identifies that comparisons of the captured data to known data is an example of verifying but that "[ ] in other instances, no 'comparison' appears to be involved. See, for example, the '988 patent, col. 13, lines 26-28 and col. 20, lines 21-23." Markman, p. 32. Thus, Defendant SVPCo's proposed non-infringement construction is unsupported and contrary to this Court's prior construction.

Furthermore, the person skilled in the art, Professor Hiles, agrees with this construction in view of the intrinsic evidence. See Hiles Decl., Exh. B, p.9-12.

H. Claim 43 of the '137 Patent

1. The Preamble of Claim 43 Is Not a Limitation.

The preamble to claim 43 of the '137 patent is identical to the preamble of claim 26 of the '137 patent and should be analyzed as noted above in Section II F(1).

Additionally, the step of "verifying the transaction data from the check" has previously been construed by the Court as discussed *supra*. Thus, Defendant SVPCo's proposed non-infringement construction is unsupported and contrary to this Court's prior construction.

III. CONCLUSION

DataTreasury prays the Court can readily see the desperate attempts by Defendant SVPCo to avoid its infringing activity of the DataTreasury patents. The Court has already addressed all claim construction positions (except for preamble limitations and functional limitations of certain claims) raised by Defendant SVPCo in its Markman Order. The only new term to construe is the term image.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing PLAINTIFF'S REPLY BRIEF ON CLAIM CONSTRUCTION has been sent electronically to the parties listed below on the 14th day of March, 2006.

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